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Armed Services Committee

STATEMENT BY THOMAS D. MORRIS
ASSISTANT SECRETARY OF DEFENSE (INSTALLATIONS AND LOGISTICS)
BEFORE THE HOUSE ARMED SERVICES COMMITTEE
ON THE
MILITARY CONSTRUCTION AUTHORIZATION BILL FOR FY 1964
ON MARCH 25, 1963
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MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

It is our privilege to present for your consideration the Military Construction Authorization Bill for Fiscal Year 1964. Significant portions of this program were highlighted in Secretary McNamara's posture statement, but we would like to present further overall perspective prior to the detailed testimony by the Military Departments and Defense Agencies.

The FY 1964 MCA Bill contains two distinct parts:

A. Authority to construct new operational facilities in the amount of \$1.128 billion to support the active and reserve forces. These requirements are detailed in Titles I, II, III, IV and VII. You will note that the amount requested is almost identical with that approved by the Congress for FY 1963.

B. Authority for military family housing costs in the amount of \$734 million. This year, for the first time, the MCA Bill covers all costs of housing to be appropriated in accordance with Section 507 of last year's Bill. Of the total requested, \$217 million covers costs of new construction projects; 25% of these projects were authorized in last year's

Bill but funds were not granted by the Appropriations Committees. The remainder is required to finance acquisition, improvement, leasing, debt service and operation and maintenance costs.

I would like to summarize each of these requests and then be available, with my associates, to answer your questions regarding our construction and real property management policies and practices.

A. New Operational Facilities

As described to you by Secretary McNamara, the authorization program for FY 1964 is based on a five-year projection of the missions and forces to be supported through FY 1968. Such projections are particularly important in planning military construction, in view of the lead-time required for many construction projects. In general, the authorizations requested in this bill will cover construction which we need to have in place no later than end FY 1966.

The requests for new facilities originally submitted by the Military Departments totalled \$2 billion, exclusive of family housing which I will discuss later. Each project was first evaluated to verify its justification in support of military plans and to assure that it could not be met adequately from existing assets. Following this screening, each required project was then given an engineering and technical analysis against DoD-wide standards covering size, cost, site location and design. In addition, all projects costing in excess of \$1 million were personally reviewed by the Secretary of Defense or his Deputy. As a result of these evaluations -

which have been more extensive this year than in any prior year - projects costing approximately \$800 million were dropped or deferred. Reviews by the Bureau of the Budget resulted in a further reduction of \$13.6 million. The resulting requirements, contained in the Bill which you have before you, are distributed among the departments and agencies as follows:

<u>Department</u>	<u>Active Forces</u>	<u>Reserve Forces</u>	<u>Total</u>	<u>Percent</u>
	(Amounts in \$ Millions)			
Army	\$ 226	\$ 8	\$ 234	20.7%
Navy	259	6	265	23.5
Air Force	582	20	602	53.4
Defense Agencies	<u>27</u>	<u>-</u>	<u>27</u>	<u>2.4</u>
Total	\$1,094	\$34	\$1,128	100.0%

Almost half of the projects in this year's bill are to provide operational and training facilities. Next in order of size are facilities to house and support troops, including provision of medical and community facilities. The remaining items cover facilities requirements for research and development; maintenance, supply, administrative and base utilities.

The summary provided in the remainder of this section is arranged in accordance with the principal missions and defense programs to be supported, as follows:

AUTHORITY FOR NEW OPERATIONAL FACILITIES
(Millions of Dollars)

<u>Missions & Programs</u>	<u>Army</u>	<u>Navy</u>	<u>Air Force</u>	<u>Defense Agencies</u>	<u>Total</u>	<u>Percent</u>
Strategic Retaliatory	-	\$ 3,4	\$202.2	-	\$ 205.6	18.2%
Continental Air & Missile Defense	\$ 9.1	4.6	81.6	-	95.3	8.5
General Purpose	63.1	111.8	86.8	-	261.7	23.2
Airlift & Sealift	-	-	13.3	-	13.3	1.2
Reserve & Guard	8.3	5.7	20.2	-	34.2	3.0
Research & Development	15.0	35.0	52.7	-	102.7	9.1
General Support	120.8	86.9	127.6	\$27.0	362.3	32.1
Emergency Unforeseen Requirements	<u>17.5</u>	<u>17.5</u>	<u>17.5</u>	<u>-</u>	<u>52.5</u>	<u>4.7</u>
Total	\$233.8	\$264.9	\$601.9	\$27.0	\$1,127.6	100.0%

I would now like to highlight the types of military construction projects contained in each of the principal mission categories.

1. STRATEGIC RETALIATORY FORCES

Projects to support this mission are predominantly operational facilities for missile and manned bomber forces as follows:

	<u>(Millions)</u>
a. MINUTEMAN FACILITIES.....	\$ 146
Construction of sixth base at Grand Forks, North Dakota (150 silos) and additional test and training facilities	
b. ATLAS - TITAN Facilities.....	10
Modifications to existing facilities to improve their reliability and safety, based on system tests.	

	<u>(Millions)</u>
c. Post Attack Command and Control System (PACCS).....	28
First increment of construction of SAC deep underground support center to have long endurance in a post-attack environment.	
d. SAC Base Improvements.....	19
General improvements to support manned bomber program at 34 CONUS and 5 overseas SAC bases.	
e. POLARIS Facilities.....	3
Includes submarine and missile support on both east and west coasts	
TOTAL	<hr/> \$ 206

2. CONTINENTAL AIR AND MISSILE DEFENSE FORCES

The \$95 million requested for this mission category is required primarily for operational purposes:

a. Dispersal of Fighter Interceptor Squadrons.....	\$ 45
Provides facilities at a number of dispersal bases to deploy about 1/4 of active interceptor forces for extended periods.	
b. Warning & Surveillance Systems.....	16
Facilities in support of Dewline and AC&W stations (\$11 million); space surveillance and tracking systems (\$2 million); undersea surveillance systems at 3 off-shore sites (\$3 million).	
c. NORAD Headquarters.....	7
Provides special rock protection due to unforeseen rock faults.	

	<u>(Millions)</u>
d. NIKE HERCULES Facilities.....	9
Operational improvements to exist- ing batteries, including fall-out pro- tection (\$5 million) for 37 batteries.	
e. Other Air Base Facilities.....	18
Support facilities at 22 fighter inter- ceptor bases in CONUS (\$13 million) and a classified mission at Shemya Air Station, Alaska.	
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TOTAL	\$ 95

3. GENERAL PURPOSE FORCES

This, the second largest of the principal mission programs is estimated to cost \$262 million, and the highlights are as follows:

a. Army Facilities CONUS.....	\$ 20
Modernization and improvement of operational and maintenance support facilities at 7 Division bases, including 2 ROAD Divisions and 2 STRAC units.	
b. Army Facilities Overseas.....	43
Operational, maintenance and supply facilities in Europe (\$13 million), Pacific Area (\$16 million), Alaska (\$2 million), Caribbean (\$12 million).	
c. Marine Corps Ground Forces and Air- craft Wing Support.....	17
\$8 million for improvement of Marine Corps Camps (\$2 million CONUS and \$6 million Okinawa); and \$9 million for modernization and improvement of 8 Marine Air Stations.	
d. Attack and ASW Carrier Air Group Facilities	18
Improvements of existing shore facilities to support operations and fleet air train- ing at 10 CONUS locations.	

	<u>(Millions)</u>
e. Fleet Shore Support Bases.....	\$ 37
Modernization of ship operating, repair and support facilities at 7 shipyards and 11 support bases.	
f. Fleet Aircraft Support Bases.....	40
\$20 million for modernization and improve- ment of 11 CONUS bases and \$20 million at 6 overseas bases.	
g. Tactical Air Command Facilities.....	41
Tactical aircraft shelters in overseas areas (\$30 million) and improvement of base support facilities at 9 U.S. bases (\$11 million)	
h. Other Air Force projects.....	46
Storage, maintenance, training & supply facilities in CONUS and overseas areas	
Total	\$ 262

4. AIRLIFT AND SEALIFT FORCES

\$13 million is requested for the Air Force to provide support facilities for troop carriers, cargo aircraft and MATS. The needs in this area are related primarily to a runway extension at Pope Air Force Base for C-130 aircraft, air freight and passenger terminals, miscellaneous training and maintenance facilities and troop housing. As the Committee knows, one of the major aspects of the build-up in our readiness status is improvement in our airlift capability. It should be noted that the relatively modest FY 1964 construction requirements are due to the fact that our existing facilities are substantially adequate to support the modernized and augmented airlift forces.

5. RESERVE FORCES

In accordance with the practice reinstituted in last year's Act, authorization for construction of Reserve Forces facilities is in the form of a lump sum for each of the program components, namely: the Army National Guard, the Army Reserve, the Naval and Marine Corps Reserves, the Air National Guard and the Air Force Reserve. As provided by last year's Act, the Congress will be furnished advance notification of the projects to be constructed under such lump sum authorization. While any identification of individual projects would be only tentative until that time, current indications are that the new authorization will be required for the following general categories of facilities:

	(Millions)
a. Armories and Training Centers.....	\$ 12
Army National Guard Armories, and	
Training Centers for Army, Naval and	
Marine Corps Reserves	
b. Airfield Pavements.....	9
Runway, taxiway and aircraft parking apron	
extensions and overlays for Air National	
Guard and Air Force Reserve	
c. Airfield Troop Housing and Messing Facilities	2
Almost exclusively replacement or rehabilita-	
tion of personnel facilities at Naval Air Stations	
d. Miscellaneous Aviation Buildings.....	11
Maintenance docks and shops, hangar	
additions, communications, administration	
and training buildings at Air National Guard	
and Air Force Reserve bases	
Total	\$ 34

6. RESEARCH AND DEVELOPMENT

The highlights of the research and development program are as follows:

	<u>(Millions)</u>
a. TITAN III, and Satellite Control..... Primary item is space launch system at Cape Canaveral (\$5 million).	\$ 8
b. Missile Range Improvements..... Atlantic (\$4 million), Pacific (\$8 million)	12
c. Mobile Medium Range Ballistic Missile Facilities (MMRBM)..... Facilities at Cape Canaveral and Edwards AFB to support early development.	7
d. Atlantic Undersea Test & Evaluation Center..... Second increment of shore base support facilities at an off-shore location.	6
e. Laboratories & Support Facilities..... Army: \$14 million, major projects at Redstone Arsenal, Natick, Mass. and Aberdeen Proving Ground. Navy: \$22 million, major projects at Naval Research Laboratory, Carderock and White Oak, Maryland. Air Force: \$34 million, major projects at Edwards AFB, Arnold Engineering & Development Center, Sacramento Peak.	70
TOTAL	\$ 103

7. GENERAL SUPPORT

This is the largest of the principal mission programs, and covers all other facilities required by the Military Departments and facilities for Defense Agencies. The highlights of this \$362 million program are as follows:

(Millions)

a.	Troop Housing.....	\$ 99
	22,636 barracks spaces and 1,229 BOQ spaces, & community facilities for general support needs. Army: \$73 million; Navy: \$6 million; Air Force: \$20 million	
b.	Military Training Facilities.....	44
	Enlisted, cadet & officer personnel. Army: \$14 million; Navy: \$19 million; Air Force: \$11 million	
c.	Medical Facilities.....	35
	Hospitals (6), dental clinics & dispensaries, and facilities directly supporting medical programs. Army: \$9 million; Navy: \$0.2 million; Air Force: \$26 million	
d.	Communications & Navigational Aids.....	79
	Includes security service site facilities. Army: \$11 million; Navy: \$47 million, Air Force: \$21 million. Second increment of VLF installation in Australia: \$32 million.	
e.	Defense Agencies Facilities.....	27
	Primarily administrative space, DASA: \$2 million; DCA: \$3 million; DIA: \$17 million; DSA: \$3 million; NSA: \$2 million.	
f.	Missile & Space Program Support.....	9
	For advanced space technology & ballistic missile support	
g.	Other Facilities.....	69
	Utilities, miscellaneous operational, supply, maintenance & administrative facilities. Army: \$14 million; Navy: \$15 million; Air Force: \$40 million.	
	Total	\$ 362

8. EMERGENCY UNFORESEEN REQUIREMENTS

Sections 103, 203 and 303 request contingency unfunded authorization for the three Military Departments in the amount of \$17.5 million each --

a total of \$52.5 million. This authorization amounts to less than 5% of the total authorization requested. Its availability during the past years has enabled the Department of Defense to proceed with construction made necessary by changes in missions and responsibilities due to unforeseen security considerations, new weapons developments, new and unforeseen research and development requirements, or improved production schedules. We have and will continue to request the use of this authority only when justified by these criteria. The amount requested is thus a ceiling figure and we would use only that part found necessary after careful review by my office in each case.

As you know, Mr. Chairman, unused portions of this emergency authorization automatically expire on September 30th of each year following enactment, thus preventing the accumulation of unused balances. In this way it serves as a true emergency contingency, available for use if needed, but automatically rescinded if not used.

9. BALANCE OF PAYMENTS

Secretary McNamara has informed you of measures taken during the past year and a half to reduce defense overseas expenditures. At the beginning of the current fiscal year the Secretary directed that no commitments be made on construction starts in overseas areas until such time as a program was developed to reduce the foreign exchange cost of the FY 1963 construction program. I wish to report that studies in this area have been completed and approved by the Secretary of Defense. The same

principles have been applied in planning our FY 1964 program and the foreign exchange cost has been reduced from \$153 million to \$89 million -- a reduction of \$64 million, or 42%.

To achieve this improvement in the balance of payments, we will purchase a maximum of construction hardware, materials and equipment from United States sources, to be shipped in U.S. vessels; use U.S. contractors wherever possible, and troop labor when feasible.

MILITARY FAMILY HOUSING

In accordance with Section 507 of last year's Act, we have incorporated in the FY 1964 MCA program the total authorization for military family housing costs as follows:

	(Millions)				
	<u>Army</u>	<u>Navy</u>	<u>Air Force</u>	<u>Defense Agencies</u>	<u>Total</u>
1. Construction of Housing	\$47.6	\$81.2	\$88.2	-	\$217.0
2. Trailer Parks	.7	.3	1.6	-	2.6
3. Acquisition, Improvements, and Planning	9.0	13.2	7.0	-	29.2
4. Rental Guarantee	.1	-	1.1	-	1.2
5. Leasing	12.4	2.3	3.9	-	18.6
6. Operation and Maintenance	126.1	65.3	105.0	2.5	298.9
7. Debt Payment	<u>50.8</u>	<u>30.9</u>	<u>90.4</u>	<u>-</u>	<u>172.1</u>
TOTAL	\$246.7	\$193.2	\$297.2	\$2.5	\$739.6
	Less anticipated reimbursement				<u>5.2</u>
	Total To Be Authorized				\$734.4

Our ability to present in this year's MCA bill a total financial program for all elements of family housing represents a major milestone in management improvement. Prior to FY 1963, housing costs were contained in 16 different appropriations. The Military Family Housing Management Account provided by Congress last year has now made it possible to obtain full financial control of all these amounts, and to institute budgeting and cost accounting systems which are enabling the military departments to measure and compare their performance and to set improved standards covering all elements of cost. This year we are proposing that Congress establish a single appropriation as a further step to simplify and integrate financial management of family housing.

While we wish to make a separate detailed presentation to the Committee on the housing program, I would like to highlight its principal elements:

1. Construction of New Housing

Last year Secretary McNamara reported to you that our long-term family housing deficit was 70,000 units. In FY 1963, Congress appropriated funds for 7,500 units, leaving a firm requirement, which has been revalidated, for 62,500 units. It is our desire to meet this need by an orderly, evenly-scheduled program over the next 5 years. Accordingly, this year's program requests \$217 million to finance 12,100 units - approximately one-fifth of our firm requirements, distributed by Services as follows:

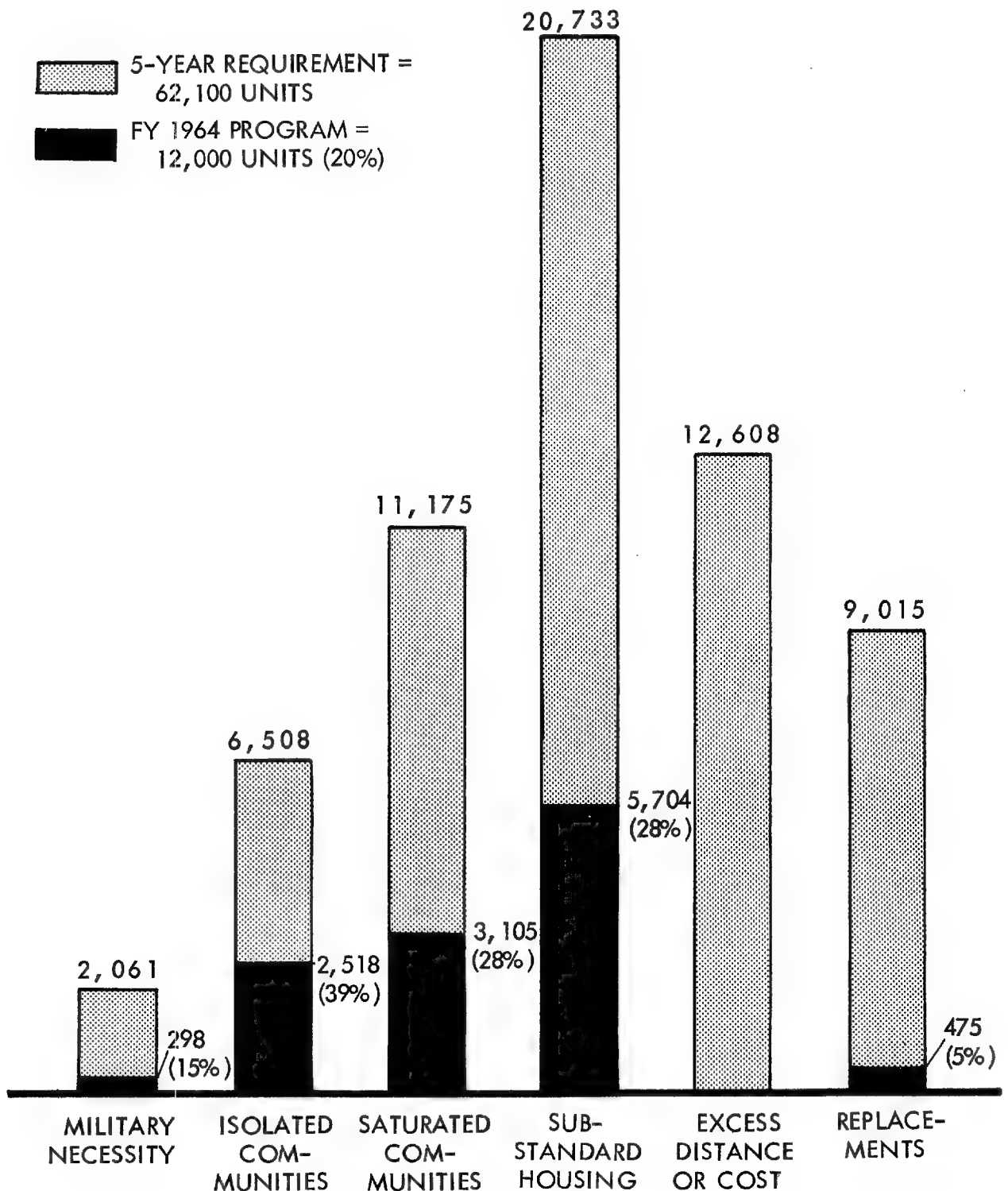
<u>Department</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Army	1,867	644	2,511
Navy	4,031	566	4,597
Air Force	<u>3,842</u>	<u>1,150</u>	<u>4,992</u>
Total	9,740	2,360	12,100

One-fourth of the above quantity has been authorized in prior years. However, we are in full agreement that we should cancel all unfunded prior authorizations and present to this Committee each year the program which we wish to fully fund and place under construction in the ensuing fiscal year.

Today there are over 978,000 military families eligible to occupy public quarters. (This number will grow to 1,022,000, an increase of 44,000, within the next five years.) Only 36% of these families now occupy military housing. The remainder buy or rent housing. We have analyzed the quarters available to these families and find that almost 300,000 are inadequately housed, or paying excess cost; many are separated due to the unavailability of suitable accommodations in the community. Our policy is to require maximum reliance on private housing, and we have assumed that 8 out of 10 of those inadequately housed will find adequate accommodations in the community during the next 5 years. Hence, we are programming construction to meet only 20% of the total deficit.

Further to illustrate the conservatism in our planning, the 12,100 units requested for authorization and funding in FY 1964 are aimed at meeting only cases of military necessity and decent living conditions for inadequately housed and separated families. No construction project is programmed solely because of excess cost or distance factors. The chart on the following page shows the distribution of our 5-year program, by justification criteria, and that fraction which we propose to construct with FY 1964 funds.

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 ANALYSIS OF FIVE YEAR FAMILY HOUSING CONSTRUCTION PROGRAM
 SHOWING JUSTIFICATION FOR PROJECTS AND FY 1964 PROGRAM



Finally, the analysis of each project in the 1964 program, contained in the detailed back-up books furnished to the Committee, shows that this program will help bring together over 5,600 separated families, and support expansion in military missions requiring 4,700 married military personnel.

We are taking steps to control construction costs and design standards. A design portfolio is being developed to standardize unit designs, reduce costs, and expedite project development. A relocatable house has been designed which can be fully erected at an average cost of \$15,000, and which can later be moved to another site if necessary, salvaging approximately 50% of the original investment. 1,000 of these units are being erected at isolated Air Force bases and AC&W sites in FY 1963. Further, we are developing a procedure to ship U. S. -built component-type houses to overseas locations for erection at a minimum foreign exchange cost. Recently we embarked upon a long-range program -- in collaboration with FHA and industry -- to test new materials, designs and construction techniques which may engender increased productivity and reduced costs in the residential construction.

2. Trailer Parks

\$2.6 million is requested to provide 1,539 spaces for families who prefer to live in private trailers.

3. Acquisition, Improvements, and Planning

\$29.2 million requested for the following purposes:

	<u>(Millions)</u>
a. Completion of Wherry Acquisition..... 2,023 units (Army: 356; Navy: 1,667)	\$ 3.0
b. Improvements to Acquired Wherry Units...	6.4
c. Convert 1,418 Sub-standard Units to 904 Adequate Units.....	4.5
d. Improvements to 8,974 Adequate Quarters..	10.8
e. Minor Construction.....	3.5
f. Planning for New Construction.....	<u>1.0</u>
Total	\$ 29.2

The improvement of these 1,418 units which can be converted into 904 adequate quarters at a reasonable cost (\$4.5 million - or about \$5,000 per residual unit), will complete the improvement of all sub-standard quarters capable of being brought to reasonable standards of adequacy. Of the remaining 45,500 sub-standard quarters we hope to achieve continuing benefits from approximately 20,000 units which, although they cannot be converted to adequate public quarters, are considered safe, decent, and sanitary, have a continuing economic life, can be operated at no cost to the Government, and are located in areas where there is a need which cannot appropriately be met by private housing. We propose in Section 506 that authority be granted to exempt such units from the existing statutory requirement that they be improved,

demolished, or otherwise disposed of by July 1, 1965. All other units which do not meet the above criteria will be disposed of by the stated date.

4. Rental Guarantee

We believe that we can meet the greater part of our foreign requirements through a rental guaranty program, and we are proposing that such authority be established in Section 508 of this year's Bill. This program contemplates extending to foreign builders guaranties of specified levels of rental income (not to exceed an average of \$150 per month) for periods up to ten years, in consideration for construction of housing in designated localities for occupancy by American military families. This produces controlled housing at no investment cost. Hence, this program offers a most economical means of meeting our needs in certain foreign countries. If the level of occupancy is maintained, the only costs to the Department of Defense will be the normal housing allowances paid to the military families. Past programs have produced 5,538 units, generally under a 5-year guarantee. Actual guaranty payments under past programs have averaged about \$6.50 per unit per month for the total units produced. The liability for Fiscal Year 1964 is estimated at \$1.2 million.

5. Leasing

Last year the Congress granted authority to lease housing for non-tactical installations as a means of meeting urgent current needs in the United States where our long-term need is not sufficiently firm to

warrant on-base construction, or where leasing is a more economical means of meeting the housing deficit. As you know, we are limited to a maximum of 7,500 leased units in CONUS. Section 505 requests an extension of this authority for this year. In addition, under existing standing authority, we are leasing 1,574 units overseas, primarily in Germany. Our total annual leasing cost is projected at \$18.6 million in FY 1964.

6. Operating and Maintenance Expenses

These costs, projected at \$298.9 million in FY 1964, offer the principal opportunities for savings in annual costs. A uniform cost accounting system for family housing operation and maintenance was installed July 1, 1962, and results for the first six months of FY 1963 have just been analyzed, revealing some variation in cost experience among the Departments. Economies initiated to date will save \$6 million, which has been reflected in the FY 1964 budget. Our objective is to increase this savings to \$19 million in FY 1965, and \$25 million by FY 1967. We will be pleased to review these efforts in greater detail should the Committee wish.

7. Debt Payment

Our payment for debts for Capehart, Wherry, and Commodity Credit and for Serviceman's Mortgage Insurance is estimated at \$172.1 million. The debt payment is a long-term obligation and will remain essentially at this level for many years to come.

IMPROVEMENTS IN MANAGEMENT OF INSTALLATIONS & LOGISTICS

In conclusion, Mr. Chairman, I would like to refer briefly to our progress in achieving increased military readiness at the same or less cost through improving our methods of managing Defense logistics.

The FY 1964 budget is over \$1 billion less than it would have been had Secretary McNamara not launched a vigorous program of management improvement in Defense procurement, logistics, and facilities during Calendar Year 1961.

These improvements are in five principal areas:

1. First, buying only what we need.

The greatest progress in cost reduction has been made in this area during the past two years. As a result, the FY 1964 budget has been cut by more than \$600 million through (1) sharply reducing inventory replacement requirements for spare parts; and (2) assuring that excess stocks in each Military Department are made available to the other two Departments in order to prevent purchasing additional quantities of items already excess to our needs. The application of high speed electronic computers is making it possible to keep current information on the millions of items stored in our depots. Many of the military construction projects which this Committee has authorized in the past have enabled us to install this equipment and improve our inventory management methods. We are now reaping large dividends from this investment.

2. Second, by buying at the lowest sound price.

As this Committee has frequently stressed, we must constantly strive to cut Defense costs in contracting for construction, weapons, services and supplies. One of the most effective means of accomplishing this is by obtaining competition and making awards on a fixed-price basis to the lowest responsible bidder. Starting early in Calendar 1961, the Military Departments established goals to increase competitive procurement. As a result, \$760 million in contract awards was converted from sole source to competitive procurement in FY 1962. We achieved, on an average, savings of 25% and thus reduced our procurement costs by an estimated \$190 million. We expect to do even better this fiscal year, and by the end of FY 1965 our objective is to increase competitive procurement by \$2 billion annually.

In military construction 98% of our contracts are placed on a competitive, fixed-price basis. During the past year, a survey was made of architect-engineer selection procedures, utilizing the services of an advisory panel of outstanding consultants. As a result of the survey, a new DoD Directive was issued which prescribes uniform procedures to insure that all qualified professional firms desiring to furnish services are given equitable consideration for contract awards. An informational pamphlet has been issued for distribution to architect-engineer firms describing the policy.

3. Third, improved utilization of real property.

Retention of unneeded real estate and facilities constitutes one of the largest hidden costs in Defense operations. Among the first instructions issued to DoD by President Kennedy in 1961 was that we thoroughly review our utilization of real properties, and, wherever possible, consolidate activities in order to eliminate unnecessary overhead costs, free personnel for higher priority duties, and release property which could be put to more productive use by local economies. We have instituted a permanent program of inspection and review to achieve these benefits. During the past two years we have initiated actions at 330 locations in the U. S. and overseas. When completed, these actions will release 274,000 acres of real property as excess to Defense needs, and effect annual savings of \$270 million. Local economies also are benefitting. The Administrator of GSA recently advised us that in Calendar Year 1962, 26 industrial plants released by Defense were sold at fair market value, and that these plants are now employing 27,000 workers. In addition, we have an active program to assist employees and communities affected by reduction or termination of Defense operations, and have been successful in minimizing loss of employment as well as in turning the excess properties to productive non-Defense uses.

4. Fourth, consolidation of common supply and service activities.

We have been particularly gratified with the benefits of bringing under single management the purchase, storage and distribution of

over 1 million items of common supplies and parts used by the Military Services. These responsibilities, which have been assigned to the Defense Supply Agency, have resulted in a reduction of 3,700 personnel formerly required to perform these duties, with operating savings of \$33 million reflected in the FY 1964 budget. By storing these common supplies in 11 instead of 77 different locations, a further savings of \$9 million will be obtained by FY 1965. Closer inventory control is also resulting. DSA's inventory by end FY 1963 will be about 10% less -- a one-time savings of \$232 million -- for the items over which it has assumed control.

The Defense Communications Agency has achieved savings in the procurement of leased lines services which have reduced the FY 1964 budget by \$18 million.

This Committee has contributed importantly to the establishment of these Agencies by authorizing improvements to the facilities in which their operations are now conducted.

5. Fifth, maintenance of properties and equipment.

We are attacking the huge labor and material costs required to maintain our aircraft, missiles, other end items, facilities and family housing. Thus far equipment maintenance costs have been reduced by \$71 million and facilities maintenance costs by approximately \$30 million. We have far to go to achieve the full potentials for economy in these areas. The first step is to install detailed cost accounting

systems which enable us to know accurately what each Service is spending, so as to compare performance and set standards.

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The above are highlights of the management improvements in Defense logistics which have been inaugurated during the past 2 years. As Secretary McNamara stated in his posture briefing, we have set a goal of reducing procurement and logistics costs, within 5 years, by over \$3 billion per year. We are well on the way toward identifying the opportunities for such improvements, and with the aggressive attention of our top military and civilian managers -- and the assistance of the GAO and Congressional Committees in spotlighting areas of greatest opportunity -- we are convinced that this goal can be met.

Mr. Chairman, I appreciate your patience and courtesy in receiving this statement. My associates and I wish to provide this Committee with any information it desires in connection with its consideration of this legislation.